UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended July 25, 2010

or

o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to

Commission File Number: 1-2402

HORMEL FOODS CORPORATION

(Exact name of registrant as specified in its charter)

Delaware	**41-0319970**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
1 Hormel Place	
Austin, Minnesota	**55912-3680**
(Address of principal executive offices)	(Zip Code)

(507) 437-5611

(Registrant s telephone number, including area code)

None

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. x YES o NO

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). x YES o NO

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer x	Accelerated filer o
Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). o Yes x No

Indicate the number of shares outstanding of each of the issuer s classes of common stock, as of the latest practicable date.

Class		Outstanding at August 29, 2010
Common Stock	$.0586 par value	133,184,133
Common Stock Non-Voting	$.01 par value	-0-

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PART I FINANCIAL INFORMATION

Item 1. Financial Statements

HORMEL FOODS CORPORATION

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(In Thousands of Dollars)

	July 25, 2010 (Unaudited)	October 25, 2009
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 376,917	$ 385,252
Short-term marketable securities	50,214	0
Accounts receivable	383,892	372,292
Inventories	790,875	722,371
Income taxes receivable	6,421	0
Deferred income taxes	71,501	66,435
Prepaid expenses	13,342	9,130
Other current assets	17,420	19,253
TOTAL CURRENT ASSETS	1,710,582	1,574,733
DEFERRED INCOME TAXES	105,294	122,007
GOODWILL	628,820	620,155
OTHER INTANGIBLES	144,268	140,854
PENSION ASSETS	31,238	29,663
INVESTMENTS IN AND RECEIVABLES FROM AFFILIATES	132,433	86,599
OTHER ASSETS	164,228	165,331
PROPERTY, PLANT AND EQUIPMENT		
Land	53,074	52,952
Buildings	726,949	723,553
Equipment	1,344,240	1,317,845
Construction in progress	56,376	41,722
	2,180,639	2,136,072
Less allowance for depreciation	(1,252,476)	(1,183,359)
	928,163	952,713
TOTAL ASSETS	$ 3,845,026	$ 3,692,055

See Notes to Consolidated Financial Statements

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HORMEL FOODS CORPORATION

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(In Thousands of Dollars)

	July 25, 2010 (Unaudited)	October 25, 2009
LIABILITIES AND SHAREHOLDERS INVESTMENT		
CURRENT LIABILITIES		
Accounts payable	$ 297,110	$ 313,258
Accrued expenses	33,515	40,289
Accrued workers compensation	32,518	29,421
Accrued marketing expenses	97,540	70,452
Employee related expenses	164,460	181,531
Taxes payable	9,374	15,127
Interest and dividends payable	31,594	34,951
Current maturities of long-term debt	350,000	0
TOTAL CURRENT LIABILITIES	1,016,111	685,029
LONG-TERM DEBT less current maturities	0	350,000
PENSION AND POST-RETIREMENT BENEFITS	433,649	429,800
OTHER LONG-TERM LIABILITIES	87,544	102,905
SHAREHOLDERS INVESTMENT		
Preferred stock, par value $.01 a share authorized 80,000,000 shares; issued none		
Common stock, non-voting, par value $.01 a share authorized 200,000,000 shares; issued none		
Common stock, par value $.0586 a share authorized 400,000,000 shares;		
issued 133,069,235 shares July 25, 2010		
issued 133,593,719 shares October 25, 2009	7,798	7,828
Accumulated other comprehensive loss	(188,175)	(203,610)
Retained earnings	2,483,635	2,318,390
HORMEL FOODS CORPORATION SHAREHOLDERS INVESTMENT	2,303,258	2,122,608
NONCONTROLLING INTEREST	4,464	1,713
TOTAL SHAREHOLDERS INVESTMENT	2,307,722	2,124,321
TOTAL LIABILITIES AND SHAREHOLDERS INVESTMENT	$ 3,845,026	$ 3,692,055

See Notes to Consolidated Financial Statements

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HORMEL FOODS CORPORATION

CONSOLIDATED STATEMENTS OF OPERATIONS

(In Thousands, Except Per Share Amounts)

(Unaudited)

	Three Months Ended July 25, 2010	Three Months Ended July 26, 2009	Nine Months Ended July 25, 2010	Nine Months Ended July 26, 2009
Net sales	$ 1,730,451	$ 1,574,440	$ 5,157,680	$ 4,858,569
Cost of products sold	1,445,536	1,314,116	4,273,911	4,063,892
GROSS PROFIT	284,915	260,324	883,769	794,677
Selling, general and administrative	146,523	142,010	438,837	424,381
Equity in earnings of affiliates	2,222	1,216	8,995	3,399
OPERATING INCOME	140,614	119,530	453,927	373,695
Other income and expense:				
Interest and investment income	310	6,410	2,176	17,385
Interest expense	(6,493)	(6,963)	(19,628)	(21,336)
EARNINGS BEFORE INCOME TAXES	134,431	118,977	436,475	369,744
Provision for income taxes	48,067	40,882	159,307	128,372
NET EARNINGS	86,364	78,095	277,168	241,372
Less: Net earnings attributable to noncontrolling interest	994	926	2,729	2,435
NET EARNINGS ATTRIBUTABLE TO HORMEL FOODS CORPORATION	$ 85,370	$ 77,169	$ 274,439	$ 238,937
NET EARNINGS PER SHARE:				
BASIC	$ 0.64	$ 0.57	$ 2.06	$ 1.78
DILUTED	$ 0.63	$ 0.57	$ 2.03	$ 1.76
WEIGHTED-AVERAGE SHARES OUTSTANDING:				
BASIC	133,201	134,255	133,461	134,301
DILUTED	135,163	135,720	135,368	135,419
DIVIDENDS DECLARED PER SHARE:	$ 0.21	$ 0.19	$ 0.63	$ 0.57

See Notes to Consolidated Financial Statements

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HORMEL FOODS CORPORATION

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS INVESTMENT

(In Thousands, Except Per Share Amounts)

(Unaudited)

	Hormel Foods Corporation Shareholders						
	Common Stock	**Treasury Stock**	**Additional Paid-in Capital**	**Retained Earnings**	**Accumulated Other Comprehensive Income (Loss)**	**Non-controlling Interest**	**Total Shareholders Investment**
Balance at October 26, 2008	$ 7,883	$ 0	$ 0	$ 2,112,873	$ (114,016)	$ 6,535	$ 2,013,275
Comprehensive income							
Net earnings				342,813		3,165	345,978
Foreign currency translation					(862)	12	(850)
Deferred hedging, net of reclassification adjustment					27,763		27,763
Pension and other benefits					(117,954)		(117,954)
Comprehensive income						3,177	254,937
ASC 715 measurement date adjustment (net of $912 tax effect)				(11,793)	1,459		(10,334)
Purchases of common stock		(38,147)					(38,147)
Stock-based compensation expense			12,054				12,054
Exercise of stock options/nonvested shares	13	(15)	2,553				2,551
Shares retired	(68)	38,162	(14,607)	(23,487)			0
Distribution to noncontrolling interest						(7,999)	(7,999)
Declared cash dividends $.76 per share				(102,016)			(102,016)
Balance at October 25, 2009	$ 7,828	$ 0	$ 0	$ 2,318,390	$ (203,610)	$ 1,713	$ 2,124,321
Comprehensive income							
Net earnings				274,439		2,729	277,168
Foreign currency translation					1,306	22	1,328
Deferred hedging, net of reclassification adjustment					7,296		7,296
Pension and other benefits					6,833		6,833
Comprehensive income						2,751	292,625
Purchases of common stock		(53,171)					(53,171)
Stock-based compensation expense			11,868				11,868
Exercise of stock options/nonvested shares	48	(287)	16,319				16,080
Shares retired	(78)	53,458	(28,187)	(25,193)			0
Declared cash dividends $.63 per share				(84,001)			(84,001)
Balance at July 25, 2010	**$ 7,798**	**$ 0**	**$ 0**	**$ 2,483,635**	**$ (188,175)**	**$ 4,464**	**$ 2,307,722**

See Notes to Consolidated Financial Statements

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HORMEL FOODS CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of Dollars)

(Unaudited)

	Nine Months Ended	
	July 25, 2010	**July 26, 2009**
OPERATING ACTIVITIES		
Net earnings	$ 277,168	$ 241,372
Adjustments to reconcile to net cash provided by operating activities:		
Depreciation	84,332	86,339
Amortization of intangibles	7,786	7,735
Equity in earnings of affiliates	(8,995)	(3,399)
Provision for deferred income taxes	1,285	(4,457)
(Gain) Loss on property/equipment sales and plant facilities	(81)	342
Gain on dissolution of joint venture	0	(3,591)
Non-cash investment activities	(276)	(10,296)
Stock-based compensation expense	11,868	9,832
Excess tax benefit from stock-based compensation	(7,243)	(997)
Other	7,595	0
Changes in operating assets and liabilities, net of acquisitions:		
(Increase) Decrease in accounts receivable	(11,600)	55,602
(Increase) Decrease in inventories	(71,013)	39,820
Decrease in prepaid expenses and other current assets	4,732	24,402
Increase (Decrease) in pension and post-retirement benefits	2,182	(47,894)
Decrease in accounts payable and accrued expenses	(26,118)	(62,687)
NET CASH PROVIDED BY OPERATING ACTIVITIES	271,622	332,123
INVESTING ACTIVITIES		
Sale of available-for-sale securities	0	6,270
Purchase of available-for-sale securities	0	(2,371)
Net purchase of trading securities	(50,000)	0
Acquisitions of businesses/intangibles	(27,978)	(701)
Purchases of property/equipment	(63,754)	(71,029)
Proceeds from sales of property/equipment	3,200	3,308
(Increase) Decrease in investments, equity in affiliates, and other assets	(30,970)	4,283
NET CASH USED IN INVESTING ACTIVITIES	(169,502)	(60,240)
FINANCING ACTIVITIES		
Principal payments on short-term debt	0	(40,000)
Dividends paid on common stock	(81,429)	(75,880)
Share repurchase	(53,171)	(13,876)
Proceeds from exercise of stock options	16,780	1,935
Excess tax benefit from stock-based compensation	7,243	997
Distribution to noncontrolling interest	0	(4,999)
Other	122	262
NET CASH USED IN FINANCING ACTIVITIES	(110,455)	(131,561)
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(8,335)	140,322
Cash and cash equivalents at beginning of year	385,252	154,778
CASH AND CASH EQUIVALENTS AT END OF QUARTER	$ 376,917	$ 295,100

See Notes to Consolidated Financial Statements

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HORMEL FOODS CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

NOTE A GENERAL

Basis of Presentation

The accompanying unaudited consolidated financial statements of Hormel Foods Corporation (the Company) have been prepared in accordance with generally accepted accounting principles for interim financial information, and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring adjustments) considered necessary for a fair presentation have been included. Operating results for the interim period are not necessarily indicative of the results that may be expected for the full year. The balance sheet at October 25, 2009, has been derived from the audited financial statements at that date but does not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. For further information, refer to the consolidated financial statements and footnotes included in the Company s Annual Report on Form 10-K for the fiscal year ended October 25, 2009.

Certain reclassifications of previously reported amounts have been made to conform to the current year presentation and to conform with recent accounting pronouncements and guidance. The impact of these reclassifications on net earnings and operating cash flows are discussed below under New Accounting Pronouncements. The reclassifications had no impact on net earnings per share as previously reported.

Investments

The Company maintains a rabbi trust to fund certain supplemental executive retirement plans and deferred income plans, which is included in other assets on the Consolidated Statements of Financial Position. The securities held by the trust are classified as trading securities. Therefore, unrealized gains and losses associated with these investments are included in the Company s earnings. Gains related to securities still held by the trust were $0.4 million and $2.9 million for the third quarter and nine months ended July 25, 2010, respectively, compared to gains of $5.7 million and $11.5 million for the three and nine months ended July 26, 2009. The Company has transitioned the majority of this portfolio to more fixed return investments to reduce the exposure to volatility in equity markets going forward.

The Company also holds securities as part of an investment portfolio, which are classified as short-term marketable securities on the Consolidated Statements of Financial Position. These investments are also trading securities. Therefore, unrealized gains and losses are included in the Company s earnings. The Company recorded a gain of $0.2 million related to these investments during both the third quarter and nine months ended July 25, 2010.

Supplemental Statement of Operations Information

Net earnings for the nine months ended July 25, 2010, include two non-recurring charges recorded by the Company. During the second quarter, the Company made the decision to close its Valley Fresh plant in Turlock, California, by the end of fiscal 2010. Valley Fresh canned meats are produced at this facility. A write-down of fixed assets and the recording of employee related costs resulted in a charge to net earnings of $6.3 million ($0.05 per diluted share). New health care laws recently enacted also required the Company to reduce the value of its deferred tax assets as a result of a change to the tax treatment of Medicare Part D subsidies. As a result, the Company recorded a charge of $7.1 million ($0.05 per diluted share) to income tax expense during the second quarter, primarily related to these new health care laws.

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Supplemental Cash Flow Information

Non-cash investment activities presented on the Consolidated Statements of Cash Flows generally consist of unrealized gains or losses on the Company s rabbi trust and other investments, amortization of affordable housing investments, and amortization of bond financing costs. The noted investments are included in other assets or short-term marketable securities on the Consolidated Statements of Financial Position. Changes in the value of these investments are included in the Company s net earnings and are presented in the Consolidated Statements of Operations as either interest and investment income or interest expense, as appropriate.

Guarantees

The Company enters into various agreements guaranteeing specified obligations of affiliated parties. The Company s guarantees either terminate in one year or remain in place until such time as the Company revokes the agreement. The Company currently provides a renewable standby letter of credit for $4.8 million to guarantee obligations that may arise under worker compensation claims of an affiliated party. This potential obligation is not reflected in the Company s Consolidated Statements of Financial Position.

New Accounting Pronouncements

In December 2008, the Financial Accounting Standards Board (FASB) updated the guidance within FASB Accounting Standards Codification (ASC) 715, *Compensation Retirement Benefits*. The update provides additional guidance regarding disclosures about plan assets of defined benefit pension or other post-retirement plans. The updated guidance is effective for fiscal years ending after December 15, 2009. The Company will therefore adopt the new provisions of this accounting standard in its annual financial statements for the fiscal year ending October 31, 2010, and is currently assessing the disclosure impact on its consolidated financial statements.

In December 2007, the FASB issued an update to ASC 805, *Business Combinations* (ASC 805). The update establishes principles and requirements for how an acquirer recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, and any noncontrolling interest in the acquiree, recognizes and measures the goodwill acquired in the business combination or a gain from a bargain purchase, and determines what information to disclose to enable the users of the financial statements to evaluate the nature and financial effects of the business combination. The updated guidance is effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. Generally, the effect of ASC 805 will depend on future acquisitions. However, the accounting for any tax uncertainties is subject to the provisions of the standard upon adoption. The Company adopted the provisions of ASC 805 at the beginning of fiscal 2010, and adoption did not have a material impact on consolidated net earnings, cash flows, or financial position.

In December 2007, the FASB also updated the guidance within ASC 810, *Consolidation* (ASC 810). The update establishes accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. It also amends the requirements for certain consolidation procedures for consistency with the requirements of ASC 805. The updated guidance was effective for fiscal years beginning on or after December 15, 2008, and interim periods within those fiscal years. The Company adopted the provisions of ASC 810 at the beginning of fiscal 2010. Adoption did not have a material impact on the consolidated financial statements, but resulted in the following changes in presentation and disclosure: 1) noncontrolling interests were reclassified from other long-term liabilities or accumulated other comprehensive loss (foreign currency translation) to a separate component of shareholders investment in the Consolidated Statements of Financial Position; 2) consolidated net earnings on the Consolidated Statements of Operations now include the net earnings attributable to both the Company and its noncontrolling interests; 3) an interim Consolidated Statement of Changes in Shareholders Investment has been provided to identify the components of shareholders investment and comprehensive income attributable to the Company s noncontrolling interests; and 4) the Consolidated Statements of Cash Flows now begin with consolidated net earnings attributable to both the Company and its noncontrolling interests, with the net earnings of the noncontrolling interests no longer included within changes in operating assets and liabilities and any distributions to the noncontrolling interests included in financing activities. As required, the prior year

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consolidated financial statements have also been reclassified to comply with the current year s presentation and disclosure requirements.

In September 2006, the FASB issued ASC 820, *Fair Value Measurements and Disclosures* (ASC 820). This standard defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. This standard was effective for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. However, the provisions of ASC 820 allowed for deferral of adoption by one year for nonfinancial assets and liabilities measured at fair value that are recognized or disclosed on a nonrecurring basis (e.g. goodwill, intangible assets, and long-lived assets measured at fair value for impairment testing or nonfinancial assets and liabilities initially measured at fair value during a business combination). Therefore, the Company adopted ASC 820 at the beginning of fiscal 2009 for its financial assets and liabilities. Adoption did not impact consolidated net earnings, cash flows, or financial position, but resulted in additional disclosures. (See further discussion in Note I Fair Value Measurements.) Pursuant to the allowed deferral, the Company adopted the provisions of ASC 820 at the beginning of fiscal 2010 for its nonfinancial assets and liabilities. Adoption did not impact consolidated net earnings, cash flows, or financial position.

NOTE B **ACQUISITIONS**

Effective February 1, 2010, the Company completed the acquisition of the *Country Crock*® chilled side dish business from Unilever United States Inc. This line of microwaveable, refrigerated side dishes complements the Company s *Hormel* refrigerated entrées and *Lloyd s* barbeque product lines within the Refrigerated Foods segment. *Country Crock*® remains a registered trademark of the Unilever Group of Companies and is being used under license.

Operating results for this product line are included in the Company s Consolidated Statements of Operations from the date of acquisition. Pro forma results are not presented, as the acquisition is not material to the consolidated Company.

NOTE C **STOCK-BASED COMPENSATION**

The Company issues stock options and nonvested shares as part of its stock incentive plans for employees and non-employee directors. The Company s policy is to grant options with the exercise price equal to the market price of the common stock on the date of grant. Ordinary options vest over periods ranging from six months to four years and expire ten years after the grant date. The Company recognizes stock-based compensation expense ratably over the shorter of the requisite service period or vesting period. The fair value of stock-based compensation granted to retirement-eligible individuals is expensed at the time of grant.

A reconciliation of the number of options outstanding and exercisable (in thousands) as of July 25, 2010, and changes during the nine months then ended, is as follows:

	Shares	Weighted-Average Exercise Price	Weighted-Average Remaining	Aggregate Intrinsic Value

				Contractual Term		
Outstanding at October 25, 2009	11,604	$	30.86			
Granted	1,328		38.51			
Exercised	(1,295)		22.83			
Forfeitures	(75)		37.13			
Outstanding at July 25, 2010	11,562	$	32.60	5.8 years	$	117,512
Exercisable at July 25, 2010	7,085	$	30.53	4.5 years	$	86,662

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The weighted-average grant date fair value of stock options granted, and the total intrinsic value of options exercised (in thousands) during the third quarter and nine months of fiscal years 2010 and 2009, are as follows:

	Three Months Ended		Nine Months Ended	
	July 25, 2010	July 26, 2009	July 25, 2010	July 26, 2009
Weighted-average grant date fair value	N/A	N/A	$ 9.09	$ 5.86
Intrinsic value of exercised options	$ 3,334	$ 1,046	$ 22,559	$ 2,604

The fair value of each ordinary option award is calculated on the date of grant using the Black-Scholes valuation model utilizing the following weighted-average assumptions. No options were granted in the third quarter ending July 25, 2010, or July 26, 2009.

	Nine Months Ended	
	July 25, 2010	July 26, 2009
Risk-Free Interest Rate	3.4%	3.2%
Dividend Yield	2.2%	2.5%
Stock Price Volatility	22.0%	22.0%
Expected Option Life	8 years	8 years

As part of the annual valuation process, the Company reassesses the appropriateness of the inputs used in the valuation models. The Company establishes the risk-free interest rate using stripped U.S. Treasury yields as of the grant date where the remaining term is approximately the expected life of the option. The dividend yield is set based on the dividend rate approved by the Company s Board of Directors and the stock price on the grant date. The expected volatility assumption is set based primarily on historical volatility. As a reasonableness test, implied volatility from exchange traded options is also examined to validate the volatility range obtained from the historical analysis. The expected life assumption is set based on an analysis of past exercise behavior by option holders. In performing the valuations for ordinary option grants, the Company has not stratified option holders as exercise behavior has historically been consistent across all employee groups.

The Company s nonvested shares vest after five years or upon retirement. A reconciliation of the nonvested shares (in thousands) as of July 25, 2010, and changes during the nine months then ended, is as follows:

	Shares	Weighted-Average Grant-Date Fair Value
Nonvested at October 25, 2009	98	$ 34.90
Granted	25	39.12
Vested	(20)	33.21
Nonvested at July 25, 2010	103	$ 36.25

No nonvested shares were granted or vested in the three month periods ended July 25, 2010, or July 26, 2009. The weighted-average grant date fair value of nonvested shares granted, the total fair value (in thousands) of nonvested shares granted, and the fair value (in thousands) of shares that have vested during the first nine months of fiscal years 2010 and 2009, are as follows:

	Nine Months Ended	
	July 25, 2010	July 26, 2009
Weighted-average grant date fair value	$ 39.12	$ 30.39
Fair value of nonvested shares granted	$ 978	$ 836
Fair value of shares vested	$ 664	$ 204

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Stock-based compensation expense, along with the related income tax benefit, for the third quarter and nine months of fiscal years 2010 and 2009 are presented in the table below.

	Three Months Ended		Nine Months Ended	
(in thousands)	**July 25, 2010**	**July 26, 2009**	**July 25, 2010**	**July 26, 2009**
Stock-based compensation expense recognized	$ 2,682	$ 2,416	$ 11,868	$ 9,832
Income tax benefit recognized	(1,028)	(929)	(4,548)	(3,781)
After-tax stock-based compensation expense	$ 1,654	$ 1,487	$ 7,320	$ 6,051

At July 25, 2010, there was $15.1 million of total unrecognized compensation expense from stock-based compensation arrangements granted under the plans. This compensation is expected to be recognized over a weighted-average period of approximately 2.5 years. During the third quarter and nine months ended July 25, 2010, cash received from stock option exercises was $2.6 million and $16.8 million, compared to $0.4 million and $1.9 million for the third quarter and nine months ended July 26, 2009. The total tax benefit to be realized for tax deductions from these option exercises for the third quarter and nine months ended July 25, 2010, was $1.2 million and $8.6 million, respectively, compared to $0.4 million and $1.0 million in the comparable periods in fiscal 2009.

Shares issued for option exercises and nonvested shares may be either authorized but unissued shares, or shares of treasury stock acquired in the open market or otherwise.

NOTE D GOODWILL AND INTANGIBLE ASSETS

The changes in the carrying amount of goodwill for the third quarter and nine months ended July 25, 2010, are presented in the tables below. The additions to Refrigerated Foods during fiscal 2010 relate to the *Country Crock*® acquisition.

(in thousands)	**Grocery Products**	**Refrigerated Foods**	**JOTS**	**Specialty Foods**	**All Other**	**Total**
Balance as of April 25, 2010	$ 123,316	$ 94,532	$ 203,214	$ 207,028	$ 674	$ 628,764
Goodwill acquired		56				56
Balance as of July 25, 2010	$ 123,316	$ 94,588	$ 203,214	$ 207,028	$ 674	$ 628,820

(in thousands)	**Grocery Products**	**Refrigerated Foods**	**JOTS**	**Specialty Foods**	**All Other**	**Total**
Balance as of October 25, 2009	$ 123,316	$ 85,923	$ 203,214	$ 207,028	$ 674	$ 620,155
Goodwill acquired		8,665				8,665
Balance as of July 25, 2010	$ 123,316	$ 94,588	$ 203,214	$ 207,028	$ 674	$ 628,820

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The gross carrying amount and accumulated amortization for definite-lived intangible assets are presented below. Additions during fiscal 2010 relate to the *Country Crock*® acquisition.

	July 25, 2010		October 25, 2009	
(in thousands)	**Gross Carrying Amount**	**Accumulated Amortization**	**Gross Carrying Amount**	**Accumulated Amortization**
Proprietary software & technology	$ 23,650	$ (13,302)	$ 23,800	$ (11,467)
Formulas & recipes	22,404	(11,321)	17,104	(9,802)
Customer lists/relationships	22,378	(9,552)	19,678	(7,794)
Non-compete covenants	7,200	(5,921)	7,020	(5,197)
Distribution network	4,120	(2,848)	4,120	(2,541)
Other intangibles	9,740	(4,674)	7,230	(3,691)
Total	$ 89,492	$ (47,618)	$ 78,952	$ (40,492)

Amortization expense was $2.6 million and $7.8 million for the third quarter and nine months ended July 25, 2010, respectively, compared to $2.5 million and $7.7 million for the third quarter and nine months ended July 26, 2009.

Estimated annual amortization expense (in thousands) for the five fiscal years after October 25, 2009, is as follows:

2010	$ 10,495
2011	9,384
2012	8,856
2013	7,649
2014	6,253

The carrying amounts for indefinite-lived intangible assets are presented in the table below.

(in thousands)	**July 25, 2010**	**October 25, 2009**
Brands/tradenames/trademarks	$ 94,410	$ 94,410
Other intangibles	7,984	7,984
Total	$ 102,394	$ 102,394

NOTE E **EARNINGS PER SHARE DATA**

The following table sets forth the denominator for the computation of basic and diluted earnings per share:

	Three Months Ended		Nine Months Ended	
(in thousands)	**July 25, 2010**	**July 26, 2009**	**July 25, 2010**	**July 26, 2009**

Basic weighted-average shares outstanding	133,201	134,255	133,461	134,301
Dilutive potential common shares	1,962	1,465	1,907	1,118
Diluted weighted-average shares outstanding	135,163	135,720	135,368	135,419

For the third quarter and nine months ended July 25, 2010, 1.6 million and 2.3 million weighted average stock options, respectively, were not included in the computation of dilutive potential common shares since their inclusion would have had an antidilutive effect on earnings per share, compared to 4.2 million and 5.4 million for the third quarter and nine months ended July 26, 2009.

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NOTE F **COMPREHENSIVE INCOME**

Components of comprehensive income, net of taxes, are:

	Three Months Ended		Nine Months Ended	
(in thousands)	July 25, 2010	July 26, 2009	July 25, 2010	July 26, 2009
Net earnings	$ 86,364	$ 78,095	$ 277,168	$ 241,372
Other comprehensive income:				
Deferred gain (loss) on hedging	1,729	(4,455)	(8,868)	(14,860)
Reclassification adjustment into net earnings	4,006	8,522	16,164	23,495
Foreign currency translation	(1,494)	1,440	1,328	(1,848)
Pension and post-retirement benefits	273	4,303	6,833	1,817
Other comprehensive income	4,514	9,810	15,457	8,604
Total comprehensive income	90,878	87,905	292,625	249,976
Comprehensive income attributable to noncontrolling interest	1,016	924	2,751	2,442
Comprehensive income attributable to Hormel Foods Corporation	$ 89,862	$ 86,981	$ 289,874	$ 247,534

The components of accumulated other comprehensive loss, net of tax, are as follows:

(in thousands)	July 25, 2010	October 25, 2009
Foreign currency translation	$ 4,687	$ 3,381
Pension & other benefits	(187,270)	(194,103)
Deferred loss on hedging	(5,592)	(12,888)
Accumulated other comprehensive loss	$ (188,175)	$ (203,610)

NOTE G **INVENTORIES**

Principal components of inventories are:

(in thousands)	July 25, 2010	October 25, 2009
Finished products	$ 441,064	$ 402,855
Raw materials and work-in-process	205,138	185,387
Materials and supplies	144,673	134,129

Total	$ 790,875	$ 722,371

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NOTE H DERIVATIVES AND HEDGING

The Company uses hedging programs to manage price risk associated with commodity purchases. These programs utilize futures contracts and swaps to manage the Company s exposure to price fluctuations in the commodities markets. The Company has determined its hedge programs to be highly effective in offsetting the changes in fair value or cash flows generated by the items hedged.

Cash Flow Hedges: The Company utilizes corn and soybean meal futures to offset the price fluctuation in the Company s future direct grain purchases, and has entered into various swaps to hedge the purchases of grain and natural gas at certain plant locations. The financial instruments are designated and accounted for as cash flow hedges, and the Company measures the effectiveness of the hedges on a regular basis. Effective gains or losses related to these cash flow hedges are reported in accumulated other comprehensive loss and reclassified into earnings, through cost of products sold, in the period or periods in which the hedged transactions affect earnings. Any gains or losses related to hedge ineffectiveness are recognized in the current period cost of products sold. The Company does not typically hedge its grain or natural gas exposure beyond the next two upcoming fiscal years. As of July 25, 2010, and October 25, 2009, the Company had the following outstanding commodity futures contracts and swaps that were entered into to hedge forecasted purchases:

	Volume	
Commodity	**July 25, 2010**	**October 25, 2009**
Corn	26.0 million bushels	20.3 million bushels
Soybean Meal	193,800 tons	148,100 tons
Natural Gas	2.4 million MMBTU s	4.6 million MMBTU s

As of July 25, 2010, the Company has included in accumulated other comprehensive loss, hedging losses of $9.0 million (before tax) relating to its positions, compared to losses of $19.2 million (before tax) as of October 25, 2009. The Company expects to recognize the majority of these losses over the next 12 months.

Fair Value Hedges: The Company utilizes futures to minimize the price risk assumed when forward priced contracts are offered to the Company s commodity suppliers. The intent of the program is to make the forward priced commodities cost nearly the same as cash market purchases at the date of delivery. The futures contracts are designated and accounted for as fair value hedges, and the Company measures the effectiveness of the hedges on a regular basis. Changes in the fair value of the futures contracts, along with the gain or loss on the hedged purchase commitment, are marked-to-market through earnings and are recorded on the Consolidated Statement of Financial Position as a current asset and liability, respectively. Effective gains or losses related to these fair value hedges are recognized through cost of products sold in the period or periods in which the hedged transactions affect earnings. Any gains or losses related to hedge ineffectiveness are recognized in the current period cost of products sold. As of July 25, 2010, and October 25, 2009, the Company had the following outstanding commodity futures contracts designated as fair value hedges:

	Volume	
Commodity	**July 25, 2010**	**October 25, 2009**
Corn	10.0 million bushels	12.0 million bushels
Soybean Meal	N/A	6,200 tons
Lean Hogs	1.1 million cwt	1.3 million cwt

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Other Derivatives: During fiscal years 2010 and 2009, the Company has held certain futures contract positions as part of a merchandising program and to manage the Company s exposure to fluctuations in foreign currencies. The Company has not applied hedge accounting to these positions. As of July 25, 2010, and October 25, 2009, the Company had the following outstanding futures contracts related to these programs:

	Volume	
Commodity	**July 25, 2010**	**October 25, 2009**
Pork Bellies	2,800 cwt	14,800 cwt

	Notional Amount	
Currency	**July 25, 2010**	**October 25, 2009**
Canadian Dollars	C$ 2.7 million	N/A
US Dollars	$ 0.4 million	N/A

Fair Values: The fair values of the Company s derivative instruments (in thousands) as of July 25, 2010, and October 25, 2009, were as follows:

	Location on Consolidated Statement of Financial Position	**Fair Value (1) July 25, 2010**	**Fair Value (1) October 25, 2009**
Asset Derivatives:			
Derivatives Designated as Hedges:			
Commodity contracts	Other current assets	$ 21,322	$ 25,159
Derivatives Not Designated as Hedges:			
Commodity contracts	Other current assets	262	(3,702)
Foreign exchange contracts	Other current assets	8	0
Total Asset Derivatives		**$ 21,592**	**$ 21,457**
Liability Derivatives:			
Derivatives Designated as Hedges:			
Commodity contracts	Accounts payable	$ 10,251	$ 17,563
Total Liability Derivatives		**$ 10,251**	**$ 17,563**

(1) Amounts represent the gross fair value of derivative assets and liabilities. The Company nets its derivative assets and liabilities, including cash collateral, when a master netting arrangement exists between the Company and the counterparty to the derivative contract. See Note I - Fair Value Measurements for a discussion of the net amounts as reported in the Consolidated Statements of Financial Position.

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Derivative Gains and Losses: Gains or losses (before tax, in thousands) related to the Company s derivative instruments for the third quarter ended July 25, 2010, and July 26, 2009, were as follows:

Cash Flow Hedges:	Gain/(Loss) Recognized in Accumulated Other Comprehensive Loss (AOCL) (Effective Portion) (1) Three Months Ended July 25, 2010	Gain/(Loss) Recognized in Accumulated Other Comprehensive Loss (AOCL) (Effective Portion) (1) Three Months Ended July 26, 2009	Location on Consolidated Statement of Operations	Gain/(Loss) Reclassified from AOCL into Earnings (Effective Portion) (1) Three Months Ended July 25, 2010	Gain/(Loss) Reclassified from AOCL into Earnings (Effective Portion) (1) Three Months Ended July 26, 2009	Gain/(Loss) Recognized in Earnings (Ineffective Portion) (2) (3) Three Months Ended July 25, 2010	Gain/(Loss) Recognized in Earnings (Ineffective Portion) (2) (3) Three Months Ended July 26, 2009
Commodity contracts	$ 2,914	$ (5,341)	Cost of products sold	$ (6,444)	$ (13,831)	$ 1,205	$ 1,363

Fair Value Hedges:	Location on Consolidated Statement of Operations	Gain/(Loss) Recognized in Earnings (Effective Portion) (4) Three Months Ended July 25, 2010	Gain/(Loss) Recognized in Earnings (Effective Portion) (4) Three Months Ended July 26, 2009	Gain/(Loss) Recognized in Earnings (Ineffective Portion) (2) (5) Three Months Ended July 25, 2010	Gain/(Loss) Recognized in Earnings (Ineffective Portion) (2) (5) Three Months Ended July 26, 2009
Commodity contracts	Cost of products sold	$ (773)	$ 11,333	$ 12	$ (118)

Derivatives Not Designated as Hedges:	Location on Consolidated Statement of Operations	Gain/(Loss) Recognized in Earnings Three Months Ended July 25, 2010	Gain/(Loss) Recognized in Earnings Three Months Ended July 26, 2009
Commodity contracts	Cost of products sold	$ (131)	$ (154)
Foreign exchange contracts	Net sales	$ 42	$ 0
	Interest and investment income	$ 0	$ (141)

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Derivative Gains and Losses: Gains or losses (before tax, in thousands) related to the Company s derivative instruments for the nine months ended July 25, 2010, and July 26, 2009, were as follows:

Cash Flow Hedges:	Gain/(Loss) Recognized in Accumulated Other Comprehensive Loss (AOCL) (Effective Portion) (1) Nine Months Ended July 25, 2010	Gain/(Loss) Recognized in AOCL (Effective Portion) (1) Nine Months Ended July 26, 2009	Location on Consolidated Statement of Operations	Gain/(Loss) Reclassified from AOCL into Earnings (Effective Portion) (1) Nine Months Ended July 25, 2010	Gain/(Loss) Reclassified from AOCL into Earnings (Effective Portion) (1) Nine Months Ended July 26, 2009	Gain/(Loss) Recognized in Earnings (Ineffective Portion) (2) (3) Nine Months Ended July 25, 2010	Gain/(Loss) Recognized in Earnings (Ineffective Portion) (2) (3) Nine Months Ended July 26, 2009
Commodity contracts	$ (14,070)	$ (22,205)	Cost of products sold	$ (24,312)	$ (38,131)	$ 1,239	$ 810

Fair Value Hedges:	Location on Consolidated Statement of Operations	Gain/(Loss) Recognized in Earnings (Effective Portion) (4) Nine Months Ended July 25, 2010	Gain/(Loss) Recognized in Earnings (Effective Portion) (4) Nine Months Ended July 26, 2009	Gain/(Loss) Recognized in Earnings (Ineffective Portion) (2) (5) Nine Months Ended July 25, 2010	Gain/(Loss) Recognized in Earnings (Ineffective Portion) (2) (5) Nine Months Ended July 26, 2009
Commodity contracts	Cost of products sold	$ (2,121)	$ 48,949	$ 123	$ (2,386)

Derivatives Not Designated as Hedges:	Location on Consolidated Statement of Operations	Gain/(Loss) Recognized in Earnings Nine Months Ended July 25, 2010	Gain/(Loss) Recognized in Earnings Nine Months Ended July 26, 2009
Commodity contracts	Cost of products sold	$ (37)	$ 239
Foreign exchange contracts	Net sales	$ 42	$ 0
	Interest and investment income	$ 0	$ (141)

(1) Amounts represent gains or losses in AOCL before tax. See Note F Comprehensive Income for the after tax impact of these gains or losses on net earnings.
(2) There were no gains or losses excluded from the assessment of hedge effectiveness during the third quarter or nine months.
(3) There were no gains or losses resulting from the discontinuance of cash flow hedges during the third quarter or nine months.
(4) Losses on commodity contracts designated as fair value hedges were offset by a corresponding gain on the underlying hedged purchase commitment.
(5) There were no gains or losses recognized as a result of a hedged firm commitment no longer qualifying as a fair value hedge during the third quarter or nine months.

NOTE I FAIR VALUE MEASUREMENTS

Effective at the beginning of fiscal 2009, the Company adopted the provisions of ASC 820, *Fair Value Measurements and Disclosures* (ASC 820) for its financial assets and liabilities carried at fair value on a recurring basis in the consolidated financial statements. ASC 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price). ASC 820 also establishes a fair value hierarchy which requires assets and liabilities measured at fair value to be categorized into one of three levels based on the inputs used in the valuation. Assets and liabilities are classified in their entirety based on the lowest level of input significant to the fair value measurement. The three levels are defined as follows:

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Level 1: Observable inputs based on quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Observable inputs, other than those included in Level 1, based on quoted prices for similar assets and liabilities in active markets, or quoted prices for identical assets and liabilities in inactive markets.

Level 3: Unobservable inputs that reflect an entity s own assumptions about what inputs a market participant would use in pricing the asset or liability based on the best information available in the circumstances.

The Company s financial assets and liabilities that are measured at fair value on a recurring basis as of July 25, 2010, and October 25, 2009, and their level within the fair value hierarchy, are presented in the tables below.

		Fair Value Measurements at July 25, 2010		
(in thousands)	**Fair Value at July 25, 2010**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Assets at Fair Value:				
Cash equivalents (1)	$ 290,411	$ 290,411	$	$
Short-term marketable securities (2)	50,214	807	49,407	
Other trading securities (3)	106,690	48,046	58,644	
Commodity derivatives (4)	5,900	5,900		
Foreign exchange contracts (5)	8		8	
Total Assets at Fair Value	$ 453,223	$ 345,164	$ 108,059	$
Liabilities at Fair Value:				
Commodity derivatives (4)	$ 10,251	$	$ 10,251	$
Deferred compensation (3)	38,049	10,696	27,353	
Total Liabilities at Fair Value	$ 48,300	$ 10,696	$ 37,604	$

		Fair Value Measurements at October 25, 2009		
(in thousands)	**Fair Value at October 25, 2009**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Assets at Fair Value:				
Cash equivalents (1)	$ 290,476	$ 290,476	$	$
Other trading securities (3)	103,801	49,608	54,193	
Commodity derivatives (4)	6,776	6,776		
Total Assets at Fair Value	$ 401,053	$ 346,860	$ 54,193	$
Liabilities at Fair Value:				
Commodity derivatives (4)	$ 17,563	$	$ 17,563	$
Deferred compensation (3)	38,786	10,670	28,116	
Total Liabilities at Fair Value	$ 56,349	$ 10,670	$ 45,679	$

The following methods and assumptions were used to estimate the fair value of the financial assets and liabilities above:

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(1) The Company s cash equivalents consist of money market funds rated AAA. As these investments have a maturity date of three months or less, the carrying value approximates fair value.

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(2) The Company holds trading securities as part of a portfolio maintained to generate investment income and to provide cash for operations of the Company, if necessary. The portfolio is managed by a third party who is responsible for daily trading activities, and all assets within the portfolio are highly liquid. The cash and highly rated money market funds held by the portfolio are classified as Level 1. The current investment portfolio also includes corporate bonds, agency securities, mortgage-backed securities, and other asset-backed securities for which there is an active, quoted market. Market prices are obtained from a variety of industry standard providers, large financial institutions, and other third-party sources to calculate a representative daily market value, and therefore, these securities are classified as Level 2.

(3) The Company also holds trading securities as part of a rabbi trust to fund certain supplemental executive retirement plans and deferred income plans. The rabbi trust is included in other assets on the Consolidated Statements of Financial Position and is valued based on the underlying fair value of each fund held by the trust. A portion of the funds held related to the supplemental executive retirement plans have been invested in fixed income funds managed by a third party. The declared rate on these funds is set based on a formula using the yield of the general account investment portfolio that supports the fund, adjusted for expenses and other charges. The rate is guaranteed for one year at issue, and may be reset annually on the policy anniversary, subject to a guaranteed minimum rate. As the value is based on adjusted market rates, and the fixed rate is only reset on an annual basis, these funds are classified as Level 2. The remaining funds held are also managed by a third party, and include equity securities, money market accounts, bond funds, or other portfolios for which there is an active quoted market. Therefore these securities are classified as Level 1. The related deferred compensation liabilities are included in other long term liabilities on the Consolidated Statements of Financial Position and are valued based on the underlying investment selections held in each participant s account. Investment options generally mirror those funds held by the rabbi trust, for which there is an active quoted market. Therefore these investment balances are classified as Level 1. The Company also offers a fixed rate investment option to participants. The rate earned on these investments is adjusted annually based on a specified percentage of the United States Internal Revenue Service (I.R.S.) Applicable Federal Rates in effect and therefore these balances are classified as Level 2.

(4) The Company s commodity derivatives represent futures contracts and swaps used in its hedging programs to offset price fluctuations associated with purchases of corn, soybean meal, and natural gas, and to minimize the price risk assumed when forward priced contracts are offered to the Company s commodity suppliers. The Company s futures contracts for corn and soybean meal are traded on the Chicago Board of Trade (CBOT), while futures contracts for lean hogs and bellies are traded on the Chicago Mercantile Exchange. These are active markets with quoted prices available and therefore the futures contracts are classified as Level 1. The Company s corn and soybean meal swaps settle based on quoted prices from the CBOT, while natural gas swaps are settled based on quoted prices from the New York Mercantile Exchange. As the swaps settle based on quoted market prices, but are not held directly with the exchange, the swaps are classified as Level 2. All derivatives are reviewed for potential credit risk and risk of nonperformance. The Company nets its derivative assets and liabilities, including cash collateral, when a master netting arrangement exists between the Company and the counterparty to the derivative contract. The net balance for each arrangement is included in other current assets or accounts payable, as appropriate, in the Consolidated Statements of Financial Position. As of July 25, 2010, the Company has recognized the obligation to return cash collateral of $15.7 million to various counterparties. As of October 25, 2009, the Company had recognized the right to reclaim cash collateral of $2.2 million from, and the obligation to return cash collateral of $16.9 million to, various counterparties.

(5) The Company periodically uses foreign currency contracts to hedge the impact of fluctuations in exchange rates on certain transactions denominated in foreign currencies. As there is an active market for these currencies, and the fair value of the contracts is calculated using exchange rates and forward rates obtained from a third-party pricing source, the contracts are classified as Level 2.

The Company s financial assets and liabilities also include cash, accounts receivable, accounts payable, and other liabilities, for which carrying value approximates fair value. The Company does not carry its long-term debt at fair value in its Consolidated Statements of Financial Position. Based on borrowing rates available to the Company for long-term financing with similar terms and average maturities, the fair value of long-term debt (including current maturities), utilizing discounted cash flows, was $369.6 million as of July 25, 2010, and $383.5 million as of October 25, 2009.

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As discussed in Note A, the FASB allowed deferral of the provisions of ASC 820 for one year for nonfinancial assets and liabilities measured at fair value that are recognized or disclosed on a nonrecurring basis. Pursuant to this allowed deferral, the Company adopted the provisions of ASC 820 at the beginning of fiscal 2010 for its nonfinancial assets and liabilities. During the second quarter of fiscal 2010, the Company made the decision to close its Valley Fresh plant in Turlock, California. The facilities in that location were evaluated during that process and the Company recorded a pretax charge of $6.6 million to reduce the property, plant and equipment to its current estimated fair value. During the nine months ended July 25, 2010, there were no other material remeasurements of assets or liabilities at fair value on a nonrecurring basis subsequent to their initial recognition.

NOTE J **PENSION AND OTHER POST-RETIREMENT BENEFITS**

Net periodic benefit cost for pension and other post-retirement benefit plans consists of the following:

	Pension Benefits			
	Three Months Ended		Nine Months Ended	
(in thousands)	**July 25, 2010**	**July 26, 2009**	**July 25, 2010**	**July 26, 2009**
Service cost	$ 5,404	$ 4,530	$ 16,187	$ 13,563
Interest cost	11,957	11,788	35,545	35,405
Expected return on plan assets	(13,521)	(13,074)	(40,565)	(39,222)
Amortization of prior service cost	(149)	(154)	(447)	(451)
Recognized actuarial loss	4,128	1,291	11,889	3,965
Settlement charge		2,569	1,267	6,788
Curtailment charge			55	
Net periodic cost	$ 7,819	$ 6,950	$ 23,931	$ 20,048

	Post-retirement Benefits			
	Three Months Ended		Nine Months Ended	
(in thousands)	**July 25, 2010**	**July 26, 2009**	**July 25, 2010**	**July 26, 2009**
Service cost	$ 590	$ 553	$ 1,778	$ 1,657
Interest cost	4,998	5,583	15,124	16,749
Amortization of prior service cost	1,009	1,376	3,161	4,129
Recognized actuarial loss (gain)	628	(210)	1,794	(630)
Net periodic cost	$ 7,225	$ 7,302	$ 21,857	$ 21,905

During the third quarter of fiscal 2010, the Company made discretionary contributions of $20.2 million to fund its pension plans. In the second quarter of fiscal year 2010, coincident with the Company s decision to close its Turlock, California facility, it also commenced the process to terminate the defined benefit pension plan for the employees at that facility. The fiscal 2010 settlement and curtailment charges noted above related to that plan termination.

NOTE K **INCOME TAXES**

The amount of unrecognized tax benefits, including interest and penalties, at July 25, 2010, recorded in other long-term liabilities was $39.0 million, of which $29.5 million would impact the Company s effective tax rate if recognized. The Company includes accrued interest and penalties related to uncertain tax positions in income tax expense, with $0.5 million and $0.9 million included in expense in the third quarter and nine months, respectively, of fiscal 2010. The amount of accrued interest and penalties at July 25, 2010, associated with unrecognized tax benefits was $11.9 million.

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The Company is regularly audited by federal and state taxing authorities. During fiscal year 2010, the I.R.S. concluded its examination of the Company s consolidated federal income tax returns for the fiscal years through 2007. The Company is in various stages of audit by several state taxing authorities on a variety of fiscal years, as far back as 1996. While it is reasonably possible that one or more of these audits may be completed within the next 12 months and that the related unrecognized tax benefits may change, based on the status of the examinations it is not possible to reasonably estimate the effect of any amount of such change to previously recorded uncertain tax positions.

New health care laws enacted during fiscal year 2010 resulted in a change in the tax treatment of Medicare Part D subsidies received by the Company, and required a reduction in the related deferred tax assets recorded by the Company related to those subsidies. As a result, the Company recorded a $7.1 million charge to income tax expense during the second quarter of fiscal 2010, primarily related to these new health care laws.

NOTE L SEGMENT REPORTING

The Company develops, processes, and distributes a wide array of food products in a variety of markets. The Company reports its results in the following five segments: Grocery Products, Refrigerated Foods, Jennie-O Turkey Store, Specialty Foods, and All Other.

The Grocery Products segment consists primarily of the processing, marketing, and sale of shelf-stable food products sold predominantly in the retail market. This segment also includes the results from the Company s MegaMex Foods, LLC (MegaMex) joint venture.

The Refrigerated Foods segment includes the Hormel Refrigerated operating segment and the Affiliated Business Units. This segment consists primarily of the processing, marketing, and sale of branded and unbranded pork and beef products for retail, foodservice, and fresh product customers. The Affiliated Business Units include the Farmer John, Burke Corporation, Dan s Prize, Saag s Products, Inc., and Precept Foods businesses. Precept Foods, LLC, is a 51 percent owned joint venture between Hormel Foods Corporation and Cargill Meat Solutions Corporation, a wholly-owned subsidiary of Cargill, Incorporated.

The Jennie-O Turkey Store segment consists primarily of the processing, marketing, and sale of branded and unbranded turkey products for retail, foodservice, and fresh product customers.

The Specialty Foods segment includes the Diamond Crystal Brands, Century Foods International, and Hormel Specialty Products operating segments. This segment consists of the packaging and sale of various sugar and sugar substitute products, salt and pepper products, liquid portion products, dessert mixes, ready-to-drink products, sports nutrition products, gelatin products, and private label canned meats to retail and foodservice customers. This segment also includes the processing, marketing, and sale of nutritional food products and supplements to hospitals, nursing homes, and other marketers of nutritional products.

The All Other segment includes the Hormel Foods International operating segment, which manufactures, markets, and sells Company products internationally. This segment also includes the results from the Company s international joint ventures and miscellaneous corporate sales.

Intersegment sales are recorded at prices that approximate cost and are eliminated in the Consolidated Statements of Operations. The Company does not allocate investment income, interest expense, and interest income to its segments when measuring performance. The Company also retains various other income and unallocated expenses at corporate. Equity in earnings of affiliates is included in segment operating profit; however, earnings attributable to the Company s noncontrolling interests are excluded. These items are included below as net interest and investment income, general corporate expense, and noncontrolling interest when reconciling to earnings before income taxes.

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Sales and operating profits for each of the Company s business segments and reconciliation to earnings before income taxes are set forth below. The Company is an integrated enterprise, characterized by substantial intersegment cooperation, cost allocations, and sharing of assets. Therefore, the Company does not represent that these segments, if operated independently, would report the operating profit and other financial information shown below.

	Three Months Ended		Nine Months Ended	
(in thousands)	**July 25, 2010**	**July 26, 2009**	**July 25, 2010**	**July 26, 2009**
Sales to Unaffiliated Customers				
Grocery Products	$ 235,034	$ 209,012	$ 753,343	$ 692,639
Refrigerated Foods	950,075	847,578	2,735,847	2,579,064
Jennie-O Turkey Store	295,862	295,381	908,364	890,165
Specialty Foods	187,065	167,203	570,941	519,679
All Other	62,415	55,266	189,185	177,022
Total	$ 1,730,451	$ 1,574,440	$ 5,157,680	$ 4,858,569
Intersegment Sales				
Grocery Products	$ 0	$ 0	$ 0	$ 0
Refrigerated Foods	2,346	1,898	6,156	5,813
Jennie-O Turkey Store	30,151	24,145	78,458	73,114
Specialty Foods	38	48	92	151
All Other	0	0	0	0
Total	$ 32,535	$ 26,091	$ 84,706	$ 79,078
Intersegment elimination	(32,535)	(26,091)	(84,706)	(79,078)
Total	$ 0	$ 0	$ 0	$ 0
Net Sales				
Grocery Products	$ 235,034	$ 209,012	$ 753,343	$ 692,639
Refrigerated Foods	952,421	849,476	2,742,003	2,584,877
Jennie-O Turkey Store	326,013	319,526	986,822	963,279
Specialty Foods	187,103	167,251	571,033	519,830
All Other	62,415	55,266	189,185	177,022
Intersegment elimination	(32,535)	(26,091)	(84,706)	(79,078)
Total	$ 1,730,451	$ 1,574,440	$ 5,157,680	$ 4,858,569
Segment Operating Profit				
Grocery Products	$ 25,596	$ 33,215	$ 112,788	$ 116,527
Refrigerated Foods	64,539	58,291	190,250	155,731
Jennie-O Turkey Store	30,664	15,920	96,100	61,847
Specialty Foods	19,703			